ELLIS : LAWHORNE

John J. Pringle, Jr.
Direct dial: 803/343-1270
jpringle@ellislawhorne.com

September 21, 2005

VIA ELECTRONIC MAIL & 1st CLASS MAIL SERVICE
The Honorable Charles L.A. Terreni
Chief Clerk
SC Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211

RE: Application of Vanco Direct USA, LLC for a Certificate of Public Convenience and Necessity to Provide Resold Interexchange And Local Exchange Communications Services, and for Flexible Rate Structure for Local Exchange Service Offerings First Approved in Docket No. 97-467-C
Docket No. 2005-231-C, Our File No. 1031-10310

Dear Mr. Terreni:

Enclosed is the original and ten (10) copies of a more current set of financial statements, supplementing Exhibit D to the Application in the above referenced docket.

Please acknowledge your receipt of this document by file-stamping the copy of this letter enclosed, and returning it in the enclosed envelope.

If you have any questions or need additional information, please do not hesitate to contact me.

With kind regards, I am

Yours truly,

John J. Pringle, Jr.

JJP/cr
enclosure
cc: Mr. Ted Raffetto (via first class mail service)
Monica Borne-Haab, Esquire (via first class mail service)
Office of Regulatory Staff/Legal Department

Company Registration No. 3470117

Vanco plc

Interim Results

For the six months ended 31 July 2005

Vanco plc

VANCO ANNOUNCES HALF YEAR RESULTS

Vanco plc ("Vanco"), the global Virtual Network Operator ("VNO"), today announces its interim results for the half year ended 31 July 2005.

Highlights

- Record interim results
- Turnover up 25% to £60.0 million (2004 - £48.1 million)
- Gross margin increased to 33.8% (2004 - 32.2%)
- Operating profit up 73% to £4.7 million (2004 - £2.7 million)
- Basic earnings per ordinary share increased by 61% to 4.11 pence (2004 – 2.56 pence)
- Conversion of Operating Profit to Cash Generated by Operations of 56.7% (2004 - 110.1%) on a Cash Generated by Operations of £2.7 million (2004 – £3.0 million)
- Contracted order book up 33% to £274.9 million (2004 - £206.0 million).
- Cash doubled to £7.4 million at 31 July 2005 (31 July 2004 - £3.7 million)
- Net debt of £21.1 million (2004 - £17.5 million) of which £1.6 million is in relation to acquisitions. Excluding the effect of acquisitions net debt was £19.5 million
- Following the acquisition of Universal Access on 1 August 2005 net debt has increased by a further £12.0 million
- Customers in 145 countries and territories globally at 31 July 2005 (2004 – 119 countries and territories globally)
- Ground breaking deal with Swisscom to exclusively provide services to Swisscom customers outside Switzerland for a ten year period with an initial exclusivity period of five years
- Following deals with ARINC and Swisscom, the total sales force selling Vanco services will increase from 40 at 31 July 2004 to some 210

The above comparatives have been restated for the effect of the application of International Financial Reporting Standards (IFRS).

In previous years there has been a significant weighting of turnover and operating profit in the second half of the financial year and we expect this trend to continue this year.

Commenting on the results, Prof Dr. Thomas Wolf, the non-Executive Chairman, said:

"We are pleased to have again delivered a robust set of figures that demonstrate continued growth. In addition, we can announce a ground breaking deal to be the exclusive provider of services to Swisscom's customers outside Switzerland, the initial exclusivity period lasting for a period of five years. Some of Vanco's new business sales resource will be re-directed from direct sales to end users to provide training to Swisscom and other channel partners in order to leverage the effect of their sales forces in future years.

Our enterprise customer base continues to grow as we maintain excellent relationships with our satisfied customers and add new contracts, including our largest single enterprise customer contract to date, announced in July 2005.

The combination of our established enterprise business and the flow of contracts from our channel relationships give us confidence that the group will continue to make progress in the second half of this year."

For further information, please contact

Vanco plc

Allen Timpany, Chief Executive	Tel: +44 208 636 1700
Simon Hargreaves, Group Finance Director	Tel: +44 208 636 1700
Michael Piddock, Marketing Manager	Tel: +44 208 636 1721

CHIEF EXECUTIVE'S STATEMENT

Introduction

I am delighted to be able to present our interim results for the six months ended 31 July 2005 and to be able to report on another period of success and growth for the group. During the period under review we have won significant new contracts with multinational businesses including the landmark deals with ARINC and our largest single enterprise customer contract to date. This has resulted in a healthy advance in operating profit along with a strong cash flow profile.

Subsequent to the period end, there have been further significant developments with the acquisition of Universal Access which was completed on 1 August 2005. This acquisition will improve the group's presence in North America and enhance Vanco's indirect sales channel. Furthermore, since 1 August 2005, a 10 year deal has been signed with Swisscom to provide services to Swisscom's customers outside Switzerland on an exclusive basis with an initial exclusivity period of five years.

We believe this success reflects the growing demand from large businesses for the flexibility, service quality and cost effectiveness offered by the VNO approach. A contract with Vanco means the customer has a single strategic partner for the management of its business critical data network and relies on us to deliver the most competitive network solutions and with the highest levels of service. Our ability to attract new customers is built upon our long track record, highly experienced staff, and the global resources we can bring to the management of a client's network. These are the foundations for Vanco's future growth.

Summary of Vanco business

The VNO model is an asset light, flexible sourcing approach. Vanco does not own any network assets, but instead purchases infrastructure from the most suitable telecommunications Asset Based Carriers (ABCs) on a global basis to provide enterprise clients with cost-effective, optimised and fully managed network solutions. It offers this business model in an industry where it is economically unviable to own all the telecommunications assets to satisfy the network requirements of large and geographically diverse enterprises.

Vanco's services include the design, integration, implementation, security and management of global corporate networks. Vanco's customers, who rely on Vanco through long-term service agreements for the successful functioning of their business critical network communications, include Accor, Avis Europe, British Airways, Ford Motor Company, IBM/Lloyds TSB, Pilkington, and Smith & Nephew. As at 31 July 2005 the total number of customers was 191.

The virtual concept conveys a number of benefits to the end-user:

- Vanco's core business is delivering the highest quality customer service, without the need to deploy and manage basic telecommunications infrastructure
- The world's largest network. A VNO is not restricted by the geographical location of infrastructure and Vanco has the capability to provide services in 230 countries and territories
- Maximum choice of all the available carriers and technologies - there are around 500 accredited suppliers on Vanco's sophisticated knowledge base
- Flexibility to adapt solutions to meet changing customer priorities during contracts
- An ongoing ability to incorporate the lowest cost solutions

Financial Information

In the six month period to 31 July 2005 turnover was £60.0 million which represents an increase of 24.8% over the comparable period in 2004. Historically the increase in revenue is lower in the first half of the year than the second half of the year. The value of our contracted order book at 31 July 2005 was up 33.4% to £274.9 million (31 July 2004 - £206.0 million), of which some £79.5 million (31 January 2005 - £61.0 million) will be recognised in the year ending 31 January 2007.

Gross margin for the period to 31 July 2005 was 33.8% which was higher than the 32.2% achieved in the comparable period in 2004.

Cash generation continues to be good. The ratio of Cash Generated by Operations to Operating Profit for the six months ended 31 July 2005 is 56.7% (six months ended 31 July 2004 - 110.1%) based on Cash Generated by Operations of £2.7 million (six months ended 31 July 2004 - £3.0 million). At the period end cash balances amounted to £7.4 million (31 July 2004 - £3.7 million).

Over the six month period ended 31 July 2005, net debt has increased from £16.0 million to £21.1 million. Of this increase, £1.6 million is in relation to acquisitions. If this is excluded net debt at 31 July 2005 was £19.5 million, an increase of 22%. This figure continues to reflect the positive impact on cash generation of the establishment last year of Vanco Finance.

Following the acquisition of Universal Access on 1 August 2005 net debt has increased by a further amount of £12.0 million.

The tax charge for the period was 31.6% (year ended 31 January 2005 - 30.7%) which was lower than the 34.0% that was expected. The unusually low tax rate for the year ended 31 January 2005 was due to the mix of countries in which the Group's taxable profits were generated. The Group trades in jurisdictions with tax rates varying between 19% and 41%.

Business development

We continue to find significant growth opportunities for our corporate network services and believe the market opportunity for us remains substantial.

Since 1 February 2005, two very significant deals have been signed with channel partners. Further details of these deals are provided below. After completion of a period of knowledge transfer and training for employees concerned, which will be provided by some of the Vanco new business sales team, these agreements will offer a significant opportunity to grow the Vanco business by leveraging the channel partners' sales teams. As a result of the two transactions, the total sales force selling Vanco services has increased from around 40 people in July 2004 to some 210 people currently able to represent Vanco's VNO model.

Swisscom

A substantial 10 year contract has been signed since 31 July 2005 with Swisscom. This deal was previously announced on 10 August 2005 and today is the first time that we have been allowed to reveal the name of the customer. Swisscom will use Vanco's VNO model on an exclusive basis to fulfil the network requirements of its customers outside its home territory with an initial exclusivity period of five years. Swisscom's sales force will use a Vanco solution, delivered through the capability of Vanco Group companies throughout the world, whenever they are bidding for any international data network requirement arising from an enterprise customer within its home market. Vanco will be working closely with Swisscom to ensure that it develops the skills and capability to sell Vanco's global solutions successfully.

In order to maintain Vanco's reputation for independence, it is not obliged to select Swisscom for the underlying network for any of its VNO solutions for Vanco customers headquartered outside of the territory.

Swisscom estimate the market size for International Data networks for companies based in Switzerland and Lichtenstein to be approximately CHF 1.5 billion per annum (£660 million). Swisscom have a business objective of progressively gaining a material market share over the next 10 years.

The parties have agreed targets for the migration of existing customers and new business and these are set out in the agreement as annual contracted revenue commitments.

An initial licence and set up fee of CHF 4.5 million (£2.0 million) is payable to Vanco as part of the agreement.

ARINC

In June, ARINC. announced an exclusive agreement with Vanco, to offer DSL broadband and MPLS connectivity for the air transport industry worldwide. ARINC operates one of the world's premier private networks serving some 800 aviation industry partners. Under the agreement with Vanco, ARINC gained a relationship with one of the world's most experienced providers of fully-managed global DSL broadband and MPLS solutions, while Vanco gained an experienced aviation industry partner as a sales channel for its products in the air transport and travel industry.

The minimum revenue commitment under this contract is $85 million over a five year period.

The joint offering is of particular importance to airlines who have previously been constrained by legacy infrastructure. Such companies can now have immediate access to a solution that fits their requirements.

ARINC selected Vanco to address the two major industry needs, to reduce current telecommunications costs and provide high availability, fully-managed broadband solutions critical for the application-driven IT environment.

Largest ever enterprise customer

Of particular note is the contract announced on 26 July 2005. We are still not in a position to disclose the name of the customer. The agreement is for three years and at €28.3 million (£19.6 million) is the largest enterprise deal that Vanco has won directly.

Universal Access

Subsequent to the period end on 1 August 2005, Vanco completed the acquisition of substantially all of the business and assets of Universal Access (Universal). The consideration was $18.7 million (£11.0 million) in cash which was funded from bank debt. In addition, Vanco acquired liabilities capped at $3.5 million (£2.0 million).

Background to the acquisition

Universal, which was founded in 1997, is based in Chicago and is a provider of network provisioning and management services to US and international carriers and integrators. It has also developed sophisticated software to optimise efficiencies in the design and costing of customer networks. Between 1997 and 2000 it raised some $60 million for the development of its operations and by means of an initial public offering it raised a further $200 million and listed on NASDAQ on 17 March 2000.

Due to over investment in fixed overheads, marketing and staff, Universal recorded losses of $22.9 million in the year ended 31 December 2003 and $5.2 million in the six month period ended 30 June 2004, and on 4 August 2004 filed for protection under Chapter 11 of the US Bankruptcy Code. Its financial difficulties related primarily to future liabilities under property leases and the adverse effects of certain financially troubled customers.

Benefits of the acquisition

Vanco established its US operations in 2002 in response to the demand from existing customers extending their networks to the US and in order to market its services to domestic US businesses. We believe Universal will complement our existing operations.

Universal had 70 employees prior to its acquisition of which some 60 staff have been retained. Vanco is already benefiting from integration savings around certain areas including property and Network Management Centre costs, as Vanco's existing US business, which was also based in Chicago, moved into the Universal offices during August.

The principal benefits of the purchase for Vanco are:

- the integration of a business with a similar asset-light model
- achieving a critical mass in the USA in terms of revenues, staff and carrier purchasing power
- obtaining the benefit of Universal's long term relationships with US customers
- accessing Universal's comprehensive knowledge of the USA carrier market place and pricing models
- access to Universal's unique web based pricing and design system

On the basis of Universal's recent management information, Vanco believes the acquisition will make a positive contribution to EBITDA and cash in the current financial year ending on 31 January 2006.

Universal's recent trading

Recent management accounts of Universal show revenues of around $44 million (£23.8 million) and EBITDA of circa $3 million (£1.6 million). These accounts reflect Universal management's expectation of current annual trading excluding any other Chapter 11 creditor liabilities and Chapter 11 related costs. The management accounts are unaudited but have been reviewed by independent accountants. This is prior to the potential savings and benefits that will result from the merger with the existing Vanco US business and potential cost reductions in the existing Universal business.

Market Environment

We continue to find significant growth opportunities in the market for corporate network services. This contrasts with the recent announcements of various ABCs who continue to find the market conditions challenging. We believe this reflects the growing demand from large enterprises for the flexibility, global scale and service quality offered by Vanco's VNO approach.

IT outsourcers, integrators and the solutions divisions of selected carriers represent a major opportunity for Vanco and an alternative route to market for Vanco. These groups have strong end-user relationships but limited or no network capability. Vanco's VNO model represents a fast, effective and cost competitive means of delivering a flexible global network solution to their customers.

We have not seen any new entrants into the market using the same VNO model as Vanco.

Recent industry recognition and quality of service

In June 2005 Vanco was voted Network Service Provider of the Year at the Network Industry Awards. For the third year in a row, Vanco's service capabilities were rated the best in the industry.

In July 2005 Vanco was positioned by Gartner, Inc. in the Leaders Quadrant in the '1H05 Pan-European Network Service Providers' Magic Quadrant report.

Vanco is currently short listed for three awards at the prestigious World Communication Awards 2005: Best Customer Care, Best Managed Service and Best Brand. Winners of these awards are due to be announced in October 2005.

A strong indication of the quality of service we offer is customer retention. Based on annual contract value, Vanco's customer churn over the last six months was just 0.5%. This compares to 6.0% for the year ended 31 January 2005.

Conversion to IFRS

The exercise to re-state the Group's balance sheet at the date of transition (1 February 2004) and to assess the impact of IFRS on the comparative periods of the six months ended 31 July 2005 has been completed. The effects of the implementation of IFRS have been reflected in this announcement and can be summarised as follows

- share based payments - in accordance with IFRS2, the difference between the fair value of any incentive and the price paid for it, is spread and charged to the profit and loss account over the period from the date the incentive is granted to the date on which it is expected to vest. In addition, there is a requirement at each reporting period end to re-assess the number of shares that may vest and adjust the profit and loss account charge accordingly. The implication of this is that the directors are required to review at each period end, their view of the Group's future profits and how many staff under any given incentive scheme will still be in the Group's employment at the date of vesting.

  The effect of the application of IFRS2 on the Group's results is to reduce profit after tax for the six month period to 31 July 2005 by £494,478 (six months ended 31 July 2004 - £343,924) which has the effect of reducing basic earnings per share compared to the amounts that would have been reported under UK GAAP by 0.9 pence per share (six months ended 31 July 2004 - 0.6 pence per share).

- Goodwill - under IAS38, there is no longer a requirement to amortise goodwill. Instead the carrying value is re-assessed at each period end by carrying out an impairment review based on an assessment of the value of the future expected cash flows of the associated business unit. The effect of this on the period ended 31 July 2005 has been to increase the Group's profit after tax by £159,576 (six months ended 31 July 2004 - £98,857). This has had the effect of increasing basic earnings per share by 0.3 pence per share compared to what would have been reported under UK GAAP (six months ended 31 July 2004 - 0.2 pence per share).

The other adjustments to the reported income statement are insignificant and in total amount to a reduction in profit after tax of £328 (six months ended 31 July 2004 - £4,975).

In addition to the above, there have been balance sheet re-classifications in respect of the Group's investment in business and operations support systems (mainly the Oracle implementation) and deferred tax.

The implementation of IFRS has not changed the Group's revenue recognition policy or the previously reported cash generation or net debt and has not impacted the way in which deals that are sold via Vanco Finance are treated.

Drivers for growth and prospects

The drivers for growth are strong and they can be summarised as follows:

- continued increased recognition of the Vanco brand globally
- a larger sales force which is more widely distributed globally and is incentivised to deliver larger contracts
- technical developments including Voice over IP and MPLS Matrix

- increased use of outsourcing and carrier partners as a sales channel
- delivery of extended services to Universal Access' carrier marketplace
- growth within existing accounts
- benefits of increased global scale

The continued growth and success of the business is down to the hard work and dedication of the entire Vanco team who have once again excelled in their respective roles.

In previous years there has been a significant weighting of turnover and operating profit in the second half of the financial year and we expect this trend to continue this year. We believe that Vanco's business is well placed to continue its record of success and remain confident about the prospects for the full year.

In the year ending 31 January 2007, some new business sales resource will be re-directed from sales to end users to provide training to our channel partners in order to leverage the effect of their sales forces in year ending 31 January 2008 and subsequent years.

Allen Timpany

Chief Executive

9 September 2005

INDEPENDENT REVIEW REPORT TO VANCO PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 July 2005 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt, the net cash inflow from operating activities, the related notes 1 to 8, the statement of accounting policies in Appendix I and the reconciliation from UK GAAP to IFRS in Appendix II. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority and the requirements of IAS 34 which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 3, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” and the requirements of International Financial Reporting Standard 1, “First Time Adoption of International Financial Reporting Standards” relevant to interim reports. The accounting policies are consistent with those that the directors intend to use in the annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRSs as adopted for use in the EU.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information expressed in pounds Sterling as presented for the six months ended 31 July 2005. On the basis of our review, the pro forma information expressed in Euros has been properly translated on the basis described in Appendix I.

Deloitte & Touche LLP
Chartered Accountants

London

9 September 2005

Vanco plc

Consolidated Income Statement
Six months ended 31 July 2005

	Six months ended 31 July 2005 Unaudited £	Six months ended 31 July 2004 Unaudited £	Year ended 31 January 2005 Audited £	*Pro forma Six months ended 31 July 2005 Euro*	*Pro forma Six months ended 31 July 2004 Euro*	*Pro forma Year ended 31 January 2005 Euro*
Revenue	60,008,963	48,094,638	104,014,011	*84,012,548*	*67,332,493*	*145,619,615*
Cost of sales	(39,752,019)	(32,625,477)	(66,261,306)	*(55,652,826)*	*(45,675,668)*	*(92,765,828)*
Gross profit	20,256,944	15,469,161	37,752,705	*28,359,722*	*21,656,825*	*52,853,787*
Administrative expenses	(15,524,567)	(12,728,773)	(27,502,217)	*(21,734,394)*	*(17,820,282)*	*(38,503,104)*
Operating profit	4,732,377	2,740,388	10,250,488	*6,625,328*	*3,836,543*	*14,350,683*
Interest income	501,730	637,119	1,771,703	*702,422*	*891,967*	*2,480,384*
Finance income	75,000	84,841	208,166	*105,000*	*118,777*	*291,432*
Interest costs	(2,034,139)	(1,480,862)	(3,691,442)	*(2,847,793)*	*(2,073,207)*	*(5,168,019)*
Profit before taxation	3,274,968	1,981,486	8,538,915	*4,584,957*	*2,774,080*	*11,954,480*
Taxation	(1,033,411)	(613,112)	(2,623,848)	*(1,446,775)*	*(858,357)*	*(3,673,387)*
Profit for the period	2,241,557	1,368,374	5,915,067	*3,138,182*	*1,915,723*	*8,281,093*
Basic earnings per ordinary share (pence) (Euro cent)	4.11	2.56	10.99	*5.75*	*3.58*	*15.39*
Diluted earnings per ordinary share (pence) (Euro cent)	3.94	2.53	10.61	*5.52*	*3.54*	*14.85*
Adjusted diluted earnings per ordinary share (pence) (Euro cent)	4.59	2.95	11.15	*6.43*	*4.13*	*15.61*

All amounts are derived from continuing operations.

Consolidated Balance Sheet
31 July 2005

	31 July 2005 Unaudited £	31 July 2004 Unaudited £	31 January 2005 Audited £	*Pro forma 31 July 2005 Euro*	*Pro forma 31 July 2004 Euro*	*Pro forma 31 January 2005 Euro*
Non-current assets						
Intangible assets	11,210,425	7,270,171	9,604,812	*15,694,595*	*10,178,239*	*13,446,737*
Property, plant and equipment	10,447,996	12,770,561	12,210,322	*14,627,194*	*17,878,785*	*17,094,451*
Deferred tax asset	828,094	268,026	578,594	*1,159,332*	*375,238*	*810,031*
	22,486,515	20,308,758	22,393,728	*31,481,121*	*28,432,262*	*31,351,219*
Current assets						
Inventories	43,727	18,576	18,507	*61,218*	*26,006*	*25,909*
Trade and other receivables						
Due within one year	48,635,496	29,423,142	37,948,324	*68,089,694*	*41,192,399*	*53,127,654*
Due after more than one year	27,533,618	24,068,501	25,028,669	*38,547,065*	*33,695,901*	*35,040,137*
Cash and cash equivalents	7,381,017	3,658,580	7,878,562	*10,333,424*	*5,122,012*	*11,029,987*
	83,593,858	57,168,799	70,874,062	*117,031,401*	*80,036,318*	*99,223,687*
Total assets	106,080,373	77,477,557	93,267,790	*148,512,522*	*108,468,580*	*130,574,906*
Current liabilities						
Trade payables	(19,269,564)	(14,943,777)	(19,410,417)	*(26,977,390)*	*(20,921,288)*	*(27,174,584)*
Other payables	(34,668,037)	(26,261,596)	(29,744,965)	*(48,535,251)*	*(36,766,234)*	*(41,642,951)*
	(53,937,601)	(41,205,373)	(49,155,382)	*(75,512,641)*	*(57,687,522)*	*(68,817,535)*
Net current assets	29,656,257	15,963,426	21,718,680	*41,518,760*	*22,348,796*	*30,406,152*
Non-current liabilities						
Other payables	(27,731,285)	(21,168,807)	(23,226,577)	*(38,823,798)*	*(29,636,330)*	*(32,517,208)*
Deferred tax liabilities	(760,109)	(401,382)	(717,106)	*(1,064,153)*	*(561,935)*	*(1,003,948)*
	(28,491,394)	(21,570,189)	(23,943,683)	*(39,887,951)*	*(30,198,265)*	*(33,521,156)*
Total liabilities	(82,428,995)	(62,775,562)	(73,099,065)	*(115,400,592)*	*(87,885,787)*	*(102,338,691)*
Net assets	23,651,378	14,701,995	20,168,725	*33,111,930*	*20,582,793*	*28,236,215*
Equity						
Share capital	2,759,567	2,686,828	2,730,989	*3,863,394*	*3,761,559*	*3,823,385*
Share premium account	7,030,772	6,721,661	6,716,422	*9,843,081*	*9,410,325*	*9,402,991*
Other reserves	1,994,606	569,174	1,138,348	*2,792,448*	*796,844*	*1,593,687*
Retained earnings	11,829,464	5,041,214	9,587,907	*16,561,250*	*7,057,700*	*13,423,070*
Foreign exchange translation reserve	36,969	(295,303)	(4,941)	*51,757*	*(413,424)*	*(6,918)*
Employee Benefit Trust reserve	-	(21,579)	-	-	*(30,211)*	-
Equity shareholders' funds	23,651,378	14,701,995	20,168,725	*33,111,930*	*20,582,793*	*28,236,215*

Consolidated Statement of Changes in Equity

Six months ended 31 July 2005

Six months ended 31 July 2004	Share capital £	Share premium account £	Employee Benefit Trust Reserve £	Other reserves £	Retained earnings £	Foreign exchange translation reserve £	Total £
Balance at 1 February 2004	2,672,001	6,540,733	(21,579)	-	3,672,840	-	12,863,995
Retained profit for the period	-	-	-	-	1,368,374	-	1,368,374
Foreign currency translation differences	-	-	-	-	-	(295,303)	(295,303)
Issue of new ordinary shares	14,827	180,928	-	-	-	-	195,755
Share based incentive plans	-	-	-	569,174	-	-	569,174
Balance at 31 July 2004	2,686,828	6,721,661	(21,579)	569,174	5,041,214	(295,303)	14,701,995
Year ended 31 January 2005							
Balance at 1 February 2004	2,672,001	6,540,733	(21,579)	-	3,672,840	-	12,863,995
Retained profit for the financial year	-	-	-	-	5,915,067	-	5,915,067
Foreign currency translation differences	-	-	-	-	-	(4,941)	(4,941)
Issue of new ordinary shares	58,988	175,689	-	-	-	-	234,677
Disposal of shares held by Employee Benefit Trust	-	-	21,579	-	-	-	21,579
Share based incentive plans	-	-	-	1,138,348	-	-	1,138,348
Balance at 31 January 2005	2,730,989	6,716,422	-	1,138,348	9,587,907	(4,941)	20,168,725
Six months ended 31 July 2005							
Balance at 1 February 2005	2,730,989	6,716,422	-	1,138,348	9,587,907	(4,941)	20,168,725
Retained profit for the period	-	-	-	-	2,241,557	-	2,241,557
Foreign currency translation differences	-	-	-	-	-	41,910	41,910
Issue of new ordinary shares	28,578	314,350	-	-	-	-	342,928
Share based incentive plans	-	-	-	856,258	-	-	856,258
Balance at 31 July 2005	2,759,567	7,030,772	-	1,994,606	11,829,464	36,969	23,651,378

Consolidated Cash Flow Statement

Six months ended 31 July 2005

	Six months ended 31 July 2005 Unaudited £	Six months ended 31 July 2004 Unaudited £	Year ended 31 January 2005 Audited £
Operating activities			
Cash generated by operations	2,683,984	3,018,290	8,850,118
Interest paid	(1,511,187)	(681,095)	(1,755,372)
Tax paid	(1,720,606)	(754,376)	(1,818,784)
Net cash (outflow) inflow from operating activities	(547,809)	1,582,819	5,275,962
Investing activities			
Interest received	15,488	8,310	25,814
Purchases of property, plant and equipment	(275,339)	(1,563,709)	(2,065,689)
Net cash acquired with subsidiary undertakings	-	-	151,729
Acquisition of subsidiary undertakings	(1,591,632)	-	-
Net cash used in investing activities	(1,851,483)	(1,555,399)	(1,888,146)
Financing activities			
Proceeds from issue of share capital	304,894	-	251,403
Repayment of borrowings	(71,462)	(93,620)	(137,601)
Repayment of obligations under finance leases	(2,110,561)	(2,499,906)	(4,949,235)
New bank loans raised	3,715,000	1,994,125	5,000,000
Net cash from (used in) financing activities	1,837,871	(599,401)	164,567
Net (decrease) increase in cash and cash equivalents	(561,421)	(571,981)	3,552,383
Cash and cash equivalents at beginning of period	7,878,562	4,325,544	4,325,544
Effect of foreign exchange rate changes	63,876	(94,983)	635
Cash and cash equivalents at end of period	7,381,017	3,658,580	7,878,562

Reconciliation of Net Cash Flow to Movement in Net Debt

Six months ended 31 July 2005

	Six months ended 31 July 2005 Unaudited £	Six months ended 31 July 2004 Unaudited £	Year ended 31 January 2005 Audited £
(Decrease) increase in cash and cash equivalents	(561,421)	(571,981)	3,552,383
Cash outflow from changes in lease and hire purchase financing	2,110,561	2,499,906	4,949,235
New loans	(3,715,000)	(1,994,125)	(5,000,000)
Cash outflow from loan repayments	71,462	93,620	137,601
Change in net debt resulting from cash flows	(2,094,398)	27,420	3,639,219
New finance leases	(3,085,950)	(1,287,617)	(4,159,949)
Other movements in finance leases	-	-	754,480
Foreign currency translation differences	51,950	(62,744)	635
Movement in net debt	(5,128,398)	(1,322,941)	234,385
Opening net debt	(15,987,646)	(16,222,031)	(16,222,031)
Closing net debt	(21,116,044)	(17,544,972)	(15,987,646)

Net Cash Inflow from Operating Activities

Six months ended 31 July 2005

	Six months ended 31 July 2005 Unaudited £	Six months ended 31 July 2004 Unaudited £	Year ended 31 January 2005 Audited £
Operating profit	4,732,377	2,740,388	10,250,488
Depreciation	3,049,491	2,056,873	4,062,182
Amortisation of intangible fixed assets	11,976	12,581	21,164
Operating cash flows before movements in working capital	7,793,844	4,809,842	14,333,834
Increase in inventories	(25,219)	(952)	(883)
Increase in receivables	(10,447,922)	(6,749,768)	(16,787,122)
Increase in payables	5,363,281	4,959,168	11,304,289
Cash generated by operations	2,683,984	3,108,290	8,850,118

Notes to the consolidated interim financial statements

1. General information

Vanco plc (the Company) and its subsidiaries (together 'Vanco plc' or 'the Group') provide enterprise clients with many managed network solutions including the design, integration, implementation, security and management of global corporate networks.

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is John Busch House, 277 London Road, Isleworth, TW7 5AX.

The Company has its primary listing on the London Stock Exchange.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 9 September 2005.

2. Accounting policies

The accounting policies adopted by the Group are set out in Appendix I.

3. Basis of preparation and statutory information

The July 2005 interim consolidated financial statements of Vanco plc are for the six month period ended 31 July 2005. They have been prepared in accordance with IAS 34, Interim Financial Reporting, and are covered by IFRS 1, First-time Adoption of IFRS, because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 January 2006. These interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (September 2005). The IFRS standards and IFRIC interpretations that will be applicable at 31 January 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

Vanco plc's consolidated financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (GAAP) until 31 January 2005. GAAP differs in some areas from IFRS. In preparing Vanco plc's 31 July 2005 consolidated interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Group's equity and its net income and cash flows are provided in Appendix II.

The interim financial information for the six months ended 31 July 2005 and 31 July 2004 has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The information for the year ended 31 January 2005 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts, which were prepared under UK GAAP, has been filed with the Registrar of Companies on which the Company's auditors gave an unqualified report

4. Segment reporting

All revenue and operating profit is derived from managed network services. For the purpose of the interim statements for the six months ended 31 July 2005, only primary segment information is disclosed. This is geographical location of operations.

	Six months ended 31 July 2005 Unaudited £	Six months ended 31 July 2004 Unaudited £	Year ended 31 January 2005 Audited £
Revenue			
United Kingdom	29,663,075	30,753,220	60,048,647
Other European countries	25,058,036	15,533,866	39,244,416
Other countries	5,287,852	1,807,552	4,720,948
	60,008,963	48,094,638	104,014,011
Operating profit (loss)			
United Kingdom	3,420,505	3,077,790	5,472,521
Other European countries	1,565,365	285,365	4,722,693
Other countries	(253,493)	(622,767)	55,274
	4,732,377	2,740,388	10,250,488

5. Tax

	Six months ended 31 July 2005 Unaudited £	Six months ended 31 July 2004 Unaudited £	Year ended 31 January 2005 Audited £
Current tax			
United Kingdom corporation tax	899,212	623,287	2,155,069
Foreign tax	374,025	164,825	631,740
	1,273,237	788,112	2,786,809
Deferred tax			
Current year	(239,826)	(175,000)	(162,961)
	1,033,411	613,112	2,623,848

UK Corporation tax is calculated at 30 % of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. Earnings per ordinary share

Earnings per ordinary share have been calculated by dividing the profit after taxation for each period by the weighted average number of ordinary shares of the Company during the period. The diluted weighted average number of ordinary shares has been calculated after taking into account the effect of the vesting of shares issued to certain employees of the Group which are due to vest providing only that the employees concerned are still employed by the Group at the due date for vesting and where it is expected that the contingently issuable shares due to Directors and senior employees will vest as the relevant targets have been met.

The weighted average number of ordinary shares and the diluted weighted average number of ordinary shares used in the calculations are as follows:

	Six months ended 31 July 2005 Unaudited No. of shares	Six months ended 31 July 2004 Unaudited No. of shares	Year ended 31 January 2005 Audited No. of shares
Weighted average number of ordinary shares in issue	54,520,135	53,444,076	53,801,666
Diluted weighted average number of ordinary shares in issue	56,879,019	54,093,295	55,745,524

Adjusted diluted weighted average number of ordinary shares has been calculated after taking into account the potential dilutive effect of the conversion of deferred ordinary shares of 0.1p each in Vanco Group Limited into ordinary shares of 5p each in Vanco plc. At 31 January 2005, certain of the targets regarding the contingently issuable shares either had already been met or were expected to have been met. For the targets that have been met, the relevant shares have been issued and are included in the number of shares in issue. The shares that have not been issued have been treated as dilutive for the purposes of calculating adjusted earnings per share for the year ended 31 January 2005. This additional disclosure has been provided in order to demonstrate the potential impact of the share conversion referred to above. The adjusted diluted weighted average number of ordinary shares used in the calculation is as follows:

	Six months ended 31 July 2005 Unaudited No. of shares	Six months ended 31 July 2004 Unaudited No. of shares	Year ended 31 January 2005 Audited No. of shares
Weighted average number of ordinary shares	54,520,135	53,444,076	53,801,666
Dilutive ordinary shares	5,142,213	4,584,922	5,392,213
Adjusted diluted weighted average number of ordinary shares	59,662,348	58,028,998	59,193,879

The profit for the financial year used in the calculation is as follows:

	Six months ended 31 July 2005 Unaudited £	Six months ended 31 July 2004 Unaudited £	Year ended 31 January 2005 Audited £
Earnings attributable to ordinary shareholders	2,241,557	1,368,374	5,915,067

Adjusted diluted earnings per ordinary share is calculated using the profit for the financial year adjusted as follows:

	Six months ended 31 July 2005 Unaudited £	Six months ended 31 July 2004 Unaudited £	Year ended 31 January 2005 Audited £
Earnings attributable to ordinary shareholders	2,241,557	1,368,374	5,915,067
Goodwill amortisation	-	-	-
IFRS share based payments	494,478	343,924	687,847
Adjusted earnings attributable to ordinary shareholders	2,736,035	1,712,298	6,602,914

7. Movements in equity securities

For the six months ended 31 July 2004, 296,532 ordinary shares of 5p each were issued as consideration for 683,308 deferred ordinary shares in Vanco Group Limited. These transactions were in connection with the employee share incentive schemes set up when the Company was listed on the main UK Stock Exchange on 6 November 2001.

For the year ended 31 January 2005, 1,179,771 ordinary shares of 5p each were issued as consideration for 2,718,701 deferred ordinary shares in Vanco Group Limited. These transactions were in connection with the employee share incentive schemes set up when the Company was listed on the main UK Stock Exchange on 6 November 2001.

For the six months ended 31 July 2005, 571,563 ordinary shares of 5p each were issued as consideration for 1,317,071 deferred ordinary shares in Vanco Group Limited. These transactions were in connection with the employee share incentive schemes set up when the Company was listed on the main UK Stock Exchange on 6 November 2001.

8. Post balance sheet event

On 1 August 2005, the Group completed the purchase of substantially all the assets of Universal Access. The fair value of the assets acquired and of the consideration paid is summarised below. The fair values are all estimates, in due course, these will be adjusted to actual values and appropriate adjustments made.

Assets and liabilities acquired	**£'000**
Tangible fixed assets	59
Intangible fixed assets	4,209
Trade debtors	2,157
Prepayments	1,510
Initial fees adjustments	284
Trade creditors	(1,510)
Deferred income	(2,157)
Acquired liabilities	(2,049)
	2,503
Goodwill	8,497
	11,000
Satisfied by:	
Cash	11,000

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Appendix I - Accounting Policies

Basis of preparation

These consolidated interim financial statements have been prepared under the historical cost convention.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The primary format for reporting segment information of the Group is based on geographical locations of its operations. The secondary format for reporting segment information of the Group is business segment. The group has one business segment.

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentational currency.

The translation of the financial statements into pro forma balances in Euros is included solely for convenience and the pro forma balances in Euros are stated, as a matter of arithmetical computation only, on the basis of all balances being translated from pounds Sterling to Euros at the rate prevailing on 31 July 2005. This translation should not be construed as meaning that the pounds Sterling amounts actually represent, or have been or could be converted into the stated number of Euros.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Group companies*

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Appendix I - Accounting Policies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Property, plant and equipment

All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

– Leasehold improvements	over the period of the lease
– Computer equipment	3-5 years
– Fixtures, fittings and equipment	3-5 years
– Motor vehicles	5 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

Appendix I - Accounting Policies

Trade receivables

Trade receivables are recognised at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts.

Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Employee benefits

(a) *Pension obligations*

Group companies operate employees' personal pension schemes. The schemes are funded through payments to insurance companies as defined contribution plans.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due.

(b) *Bonus plans*

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Commissions*

Commissions payable to staff on securing new contracts, which are directly attributable to the contract, are written off to the income statement on a straight line basis over the lesser of the period of the contract and three years.

(d) *Share-based payments*

In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 31 January 2005.

The fair value of shares and options granted to employees is recognised on a straight line basis in the income statement over the vesting period of the award.

The Company operates two equity-settled share-based schemes: an SAYE share option scheme and a share award scheme.

Under the share option scheme the Group provides employees with the options to purchase the Group's ordinary shares with a vesting condition of three years of continuous employment. Under IFRS, the cost of employee share scheme is based on the fair value of the awards that must be assessed using an option-pricing model. The Group determined the fair value of options using the Black-Scholes model. The expected life used on the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Under the share award plan employees have the possibility to purchase non-voting convertible deferred ordinary shares in Vanco Group Limited. These deferred shares are exchanged for ordinary shares in Vanco plc at a fixed ratio provided that vesting conditions on continuous employment and relevant performance targets are satisfied. The fair value of instruments at grant is assessed with reference to the prevailing Vanco plc share price. The expected number of shares to be issued under the scheme is adjusted each period end for the expected impact of non-market vesting conditions.

Revenue recognition

A network contract typically covers the design, supply and installation of the network and thereafter the provision of Packaged Network Solutions. Revenue relating to the initial part of the contract is determined by the fair value of the component elements represented by the equipment installed and the time expended on this element of the contract. The remainder of the contract value covering the provision of Packaged Network Solutions is recognised evenly over the period of the contract except for that element of revenue which equates to the finance lease interest costs relating to the network equipment. This element is accounted for on a sum of the digits basis, in line with the accounting treatment of the associated costs. To the extent that the recognition of revenue differs from the contractual billing terms, either revenue is accrued or amounts billed in advance are treated as deferred income.

Revenue recognised on contracts paid over payment terms which are longer than normal commercial credit terms, are recognised at the net present value of the future cash inflows.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element is charged to the finance expenses in income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Interim measurement note

(a) *Current tax*

Current tax expense is recognised in these interim consolidated financial statements based on management's best estimates of the weighted average annual tax rate expected for the full financial year based on the group structure at 31 July 2005.

(b) *Costs*

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

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Appendix II – Reconciliations from UK GAAP to IFRS:

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